

virtually the same service, almost \$5.00 above the Cablevision rate. Similarly, in Negaunee, Michigan, the privately-owned system raised prices significantly after reaching a litigation settlement with the City. Nonetheless, the data are instructive. The rate per channel was between \$0.26 - .30 in two communities -- Paragould, Arkansas and Glasgow, Kentucky -- where there is active competition. The majority of competing systems charged \$0.35 or less per channel. Taking this into account and discounting systems where competition does not appear to be active suggests that a reasonable rate might be approximately \$0.26 - .35 per channel.

3. An examination of rates for municipal systems. Municipal systems typically price services in one of two ways: first, to keep rates as low as possible while covering costs and returning a relatively lower amount to the general fund; or second, to match rates charged by private systems, and to return the excess profits to the community. For such systems, the per channel rate may actually be closer to industry norms than competitive prices. Smith & Katz surveyed nine municipal channels and found that the rates they charged varied from \$0.26 -.76 per channel. Given the limited data, these figures may be more useful as a check on the forgoing than anything else.

4. Other indicators. A U.S. Department of Justice study estimated that 45-50 per cent of all rate increases since 1984 were attributable to the market power of cable operators. Average cable rates are now in the \$18-\$22 range; they were approximately \$9.00 in 1984. If the Department of Justice is correct, rates for basic

and expanded basic service should total \$13.50-\$15.50 (\$0.21 - \$0.37 per channel for a 48-channel service). That conclusion is consistent with Smith & Katz, App. B. Exhibit B-7, estimating that on average consumers are entitled to 30 per cent reductions in rates, 40-55 per cent in most communities. See also Exh. B-1 (comparing indexed changes in pay and basic cable rates); Exh. B-4 (estimating a 28% - 49% monopoly rate component based on an examination of intangible values).

Conclusion. The data, properly applied, points in one direction: rates for basic and for expanded basic are too high -- substantially too high. There are very good policy reasons to set the rate toward a \$0.21 per channel rate, to maximize elimination of monopoly profits. However, considering the high and low ranges described above, the Commission should rule that a community may require operators to charge no more than \$0.32 per channel for basic service, and rule that a rate for expanded basic exceeding \$0.32 per channel, or a combined rate for basic and expanded basic of more than \$0.32 per channel, would be considered presumptively unreasonable, were a complaint to be filed with the Commission. This leaves rates for private cable systems well-above rates for municipalities and in the most competitive cable markets, and well within range of rates calculated on a cost basis.

The Commission can reach this result consistent with its obligations under the Cable Act. The general conclusion, that rates are too high, accords with the conclusion of Congress. More specifically, the recommended rate is based on a direct or implicit

consideration of factors that the Commission must consider in determining whether an expanded basic rate is unreasonable.² As applied to the basic rate component, the number almost certainly overestimates the nominal cost of providing basic, particularly considering that basic programming costs may be quite low, but under the Coalition's proposal the locality could, after hearing, reduce the basic rate to more clearly reflect competitive levels in light of the services actually offered. In the meantime, adopting the rate should afford almost all consumers an opportunity for immediate rate relief.

² The analysis considered the rates charged by systems, less the identifiable monopoly component; historical changes in rates, as analyzed in relation to pay rates and growth in intangible system values by Smith & Katz; rates for systems facing competition; basic and expanded basic rates as a whole for the system; and costs and revenues. To the extent other matters are not considered with respect to expanded basic rates -- the cost for equipment, for example -- they could be considered at the time a complaint is filed, as necessary.

CABLE TV
MONTGOMERY

ACCOUNT NUMBER

BILLED FROM

BILLED TO

DATE DUE

STATEMENT
PROCESSING DATE

1/08/93

2/07/93

01/22/93

12/31/92

FOR- [REDACTED]

12/07	BEGINNING BALANCE	49.31
12/21	PAYMENT	49.31-
12/31	CONV. DEP. REFUND	5.00-
1/08- 2/07	MONTHLY SERVICE	48.30
1/08- 2/07	FRANCHISE FEE 5%	2.42
1/08- 2/07	LOCAL PROGRAM FEE 1.5%	.72
1/07	AMOUNT DUE	46.44

JAN 08 THRU FEB 07, 1993

FOR DETAILED INFORMATION SEE BACK OF BILL

ACCOUNT #	INVOICE DATE	CURRENT	PAST DUE	PLEASE PAY	DUE DATE
[REDACTED]	1/07/93	46.44	.00	46.44	1/22/93

TUNE IN TO LIFETIME ON SUNDAY,
JANUARY 17 AT 8PM EST AND WATCH
CABLE'S BEST. THE 14TH ANNUAL
CABLEACE AWARDS SPECIAL WILL BE
TELEVIEWED LIVE FROM THE PANTAGES
THEATRE IN HOLLYWOOD.

1

4

5

ERNEST F. HOLLINGS, SOUTH CAROLINA, CHAIRMAN

DANIEL K. INOUE, HAWAII
WENDELL H. FORD, KENTUCKY
J. JAMES EXON, NEBRASKA
AL BORE, TENNESSEE
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
LLOYD BENTSEN, TEXAS
JOHN F. KERRY, MASSACHUSETTS
J. B. BREAU, LOUISIANA
ROBERT M. BYRNE, NEVADA
J. S. ROSS, VIRGINIA

JOHN C. DANFORTH, MISSOURI
BOB PACKWOOD, OREGON
LARRY PRESSLER, SOUTH DAKOTA
TED STEVENS, ALASKA
ROBERT W. KASTEN, JR., WISCONSIN
JOHN MCCAIN, ARIZONA
CONRAD BURNS, MONTANA
SLADE GORTON, WASHINGTON
TRENT LOTT, MISSISSIPPI

KEVIN G. CURTIN, CHIEF COUNSEL AND STAFF DIRECTOR
JONATHAN CHAMBERS, REPUBLICAN STAFF DIRECTOR

United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

December 9, 1992

The Honorable Alfred C. Sikes
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RECEIVED
LEGISLATIVE AFFAIRS

Dear Al:

The Cable Television Consumer Protection and Competition Act of 1992, which became law on October 5, 1992, has as its primary goal the protection of consumers against unreasonable cable rates. In what appears to be an attempt to evade the law, many cable companies are raising rates before the FCC's rate regulations are in place. Some cable operators have even asserted that their rate increases are a result of the Cable Act.

Those assertions are false. Nothing in the Act requires rate increases. To the contrary, the Act gives the FCC and local governments new authority to regulate rates.

The FCC also has authority under the Cable Act to order rate rollbacks and to take action to prevent cable operators from evading the rate regulation provisions of the law. We are writing to you to underscore that the FCC's enforcement of the law must protect consumers against unreasonable rates. We urge you to pay particular attention to those cable operators who rush through rate increases in anticipation of rate regulation.

Sincerely,


Sen. Ernest F. Hollings


Sen. John C. Danforth


Sen. Daniel K. Inoué


Rep. Edward J. Markey


Sen. Slade Gorton


Rep. John Dingell

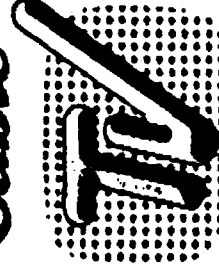
—

5

—

**IMPORTANT
PRICING
INFORMATION
ENCLOSED**

Cable



Montgomery

Wm

Dear Subscriber:

Cable Montgomery (CTM) has been working hard to bring residents of Montgomery County the best possible cable television service. Let us share with you some recent significant enhancements.

- The Science Fiction Channel, which features the best of science fiction, fantasy, classic horror, and science fact programming, 24 hours a day, was added to our program line-up in September.
- The Cartoon Network, added in October, is the world's first channel devoted exclusively to cartoons. Everyone's favorite characters are featured, including Bugs Bunny, the Flintstones, Yogi Bear, and Johnny Quest.
- Digital Music Express (DMX), introduced in November, is an optional revolutionary new audio service that connects to your home stereo. DMX provides 30 different channels of pure CD quality music all day and without commercials or D.J.s. A hand held remote control, which is included with the service, identifies each musical selection, the artist, and the album.
- Encore, an optional service featuring uncut and commercial-free movies from the 60s, 70s, and 80s premiered in June.
- Great Value Packages were introduced in June, offering new money saving prices for popular premium television services.
- WGN Television, featuring Michael Jordan and the Chicago Bulls, the Chicago Cubs, the White Sox, and many classic movies and sitcoms was offered to customers in January.
- Comedy Central, also added in January, features 24 hours of stand-up comedians, popular sitcoms, political satire, and specials all created to make you laugh.
- Great Value Coupons, which were first sent to you in October, will arrive periodically with your statement. These valuable discount coupons are exclusive to CTM cable customers and provide you with terrific savings at wonderful metro area retailers.

CTM has also experienced changes in its cost of providing your cable service. In January, 1993, CTM will be making some adjustments to its pricing schedule and policies.

So that we may better serve our customers, beginning January, 1993, CTM will begin refunding the converter deposit collected at the time of your service installation. This deposit, \$25 for each converter in your home, will be returned to you over the next twelve months as a \$2.50 per month billing credit on your January and February statements and a \$2 per month credit thereafter through 1993.**

Also, effective with your January, 1993 billing, the full service (Basic, Limited, Preferred), to which you subscribe, will be \$26.45* per month. This is an increase of \$2*. However, due to the converter deposit refund, if you have at least one CTM converter deposit, your total monthly payment will not change. If you have more than one CTM converter, the amount of your monthly payment will actually decrease.

The monthly charges for all other CTM services, such as our popular premium channels like Home Box Office, Showtime and Pay-Per-View movies will be maintained at their current levels. A detail of CTM's prices, as well as the program channels available on each level of service provided by CTM, are included with this announcement. Your January statement will automatically be adjusted to reflect the changes described.

If you have any questions at all, please contact our Customer Service Representatives at 424-4400. Our Representatives are available to talk with you any time, day or night.

Thank you for your continued subscription to CTM. We consider it a privilege to bring you the finest cable television service and we pledge our continuing efforts to make your service as enjoyable as possible.

* All prices are exclusive of the 5% local government franchise fee and the 1.5% local government access programming fee.

** All subscribers with a converter deposit on record with CTM are eligible for the deposit refund.

SERVICE OPTIONS: AT-A-GLANCE

BASIC SERVICE - \$10.00*

WMAR-2
WRC-4
WTTG-5
WJLA-7
WUSA-9
WBAL-11
WJZ-13
WDCA-20
WMPT-22
WETA-26
WHMM-32

WBFF-45
WFTY-50
WGN - Chicago
The Learning Channel
WTBS - Atlanta
C-SPAN
WAW (Univision)
The Montgomery Channel
Montgomery College
International Channel

Mont. Co. Public Schools
City of Rockville
City of Takoma Park
Mont. Co. Government
Local Weather Radar
Public Schools TV
Univ. of Md.-College Park
Univ. of Md.-Univ. College
The Open Channel
NewsChannel 8
Basic Service...\$10.00*

LIMITED SERVICE - \$13.45*

Sci-Fi Channel
Cartoon Network
MTV
The Family Channel
The Discovery Channel
Arts & Entertainment
Headline News
Nickelodeon

BET
CNBC
E! Entertainment Television
Court TV
QVC (shopping)
The Nashville Network
VH-1
The Weather Channel

Lifetime
The Interfaith Channel
The Learning Channel
C-SPAN II
Cable Plus Preview
Cable Plus pay-per-view
and premium channel
accessibility

Basic and Limited Service...\$23.45*

PREFERRED SERVICE - \$3.00*

ESPN
USA Network

Cable News Network
American Movie Classics

TNT
Comedy Central

Basic, Limited, and Preferred Service...\$26.45*

NOTE: There is a \$25* change of service charge for existing customers.

You must have Basic Service to receive Limited; you must have Basic and Limited to receive Preferred.

Service Selections

Price * Schedule Effective January 1993

Service Levels	Monthly Price
Basic Service	\$10.00
Limited Service	\$13.45
Preferred Service	\$ 3.00
FULL SERVICE TOTAL	\$26.45
Service Level Cumulative Totals	
Basic only ¹	\$10.00
Basic and Limited	\$23.45
Basic, Limited, and Preferred	\$26.45
Blockbuster Premium Services	
Home Box Office	\$10.95
Showtime	\$10.95
Cinemax	\$ 9.95
Home Team Sports	\$10.95
The Disney Channel	\$ 9.95
Bravo	\$ 9.95
Bonus Premium Services	
The Movie Channel	\$ 9.95
Encore	\$ 6.95
Other Services	
Digital Music Express	\$ 9.95
Pay-Per-View Movies	\$4.95 - \$ 5.95
Remote Control	\$ 4.95
Extra Outlet	\$ 5.95
Extra Outlet on Basic Service	\$ 3.95
Converter rental for Basic only customers ²	\$ 1.00
Monthly Guide	\$.75
Special (non-monthly) Charges	
A/B Switch at time of install	\$10.00
Late Payment Charge	\$ 3.95
Adding Premium Service	\$ 9.95
Standard New Install	\$59.95
Reconnection Install	\$39.95
Service Level Change	\$25.00

To Compute Your Monthly Service Price:

Subtotal of services selected	\$ _____
5% Franchise Fee (of subtotal)	\$ _____
1.5% Local Programming Fee (of subtotal)	\$ _____
TOTAL COST OF SERVICE	\$ _____

VALUE PACKAGES*

Value Package 1

OPTION 1: Preferred Service with one Blockbuster Premium Channel up to\$37.40

OPTION 2: Build a GreatValue Package by adding Bonus Premiums
Encore and TMC for only\$6.95

GreatValue Package monthly price\$44.35

Save up to \$9.95

Value Package 2

OPTION 1: Preferred Service with two Blockbuster Premium Channels\$46.35
(when HBO is included in package)

OPTION 2: Build a GreatValue Package by adding Bonus Premiums
Encore and TMC for only\$3.95

GreatValue Package monthly price\$50.30

Save up to \$14.95

Value Package 3**

OPTION 1: Preferred Service with three Blockbuster Premium Channels\$56.30
Free Remote Control or Additional Outlet
(when HBO is included in package)

OPTION 2: Build a GreatValue Package by adding Bonus Premiums
Encore and TMC for only\$2.95

GreatValue Package monthly price\$59.25

Save up to \$21.90

Value Package 4**

OPTION 1: Preferred Service with four Blockbuster Premium Channels\$66.25
Free Remote Control and Additional Outlet
(when HBO is included in package)

OPTION 2: Build a GreatValue Package by adding Bonus Premiums
Encore and TMC for only\$2.95

GreatValue Package monthly price\$69.20

Save up to \$26.85

Each Additional Blockbuster Premium you add to Value Package 4 is always half price!
GreatValue Package prices are \$3 less for Limited Service subscribers.

You must have Basic Service to receive Limited; you must have Basic and Limited to receive Preferred.

Premium Channels and pay-per-view are available with Limited and Preferred Service.

NOTE: A converter box is required to receive CTM's premium services and pay-per-view.

*All prices are exclusive of the 5% local government franchise fee and 1.5% local access programming fee.

**FREE remote control service and/or additional outlet service are available with HBO and two or more Blockbuster Premiums; reducing your level of service will result in a monthly charge for these items.

¹Rate for existing Basic Service Only customers will remain at \$8.95

²Converter rental charge not applicable to existing \$6.95 Basic only customers.